



**HOUSING ADVISORY COMMISSION
(SPECIAL MEETING)**

AGENDA

**MONDAY, SEPTEMBER 28, 2009
12:00 P.M.**

**CITY HALL BY CLERK'S OFFICE
EXECUTIVE CONFERENCE ROOM #103**

CALL TO ORDER/ROLL CALL

Dina Chavez _____, Earl Jentz _____, Armida Martin Del Campo _____, Mark Minas _____, Margie Reese _____, Mauricio Torre _____, Vacant _____, Vacant _____, Vacant _____.

1) APPROVAL OF MINUTES (ATTACHMENT 1)

❖ 1/28/2009

2) THE LANDINGS, PHASE II (ATTACHMENT 2)

Redevelopment and Housing staff will provide a synopsis of a *revised* application from Chelsea Investment Partners for additional funds towards development of 143 low-income rental units as Phase II of "The Landings" in Otay Ranch Village 11, Winding Walk. The Commission previously heard this item on 1/28/09 and recommended a pre-commitment of \$2.4M in Home Investment Partnership funds toward the development. The Commission will provide comment and recommendation to Council regarding the additional commitment of funding.

3) STAFF REPORTS

Staff will provide an update on the following projects/programs:

- ❖ Neighborhood Stabilization Program (NSP)
- ❖ Homeless Prevention & Rapid Re-Housing Program (HPRP)
- ❖ Balanced Communities Working Group

4) MEMBER'S COMMENTS

5) ORAL COMMUNICATIONS

Opportunity for members of the public to speak to the Housing Advisory Commission on any subject matter within the Commission's jurisdiction but not an item on today's agenda. Each speaker's presentation may not exceed three minutes.

6) ADJOURNMENT – To the next regularly scheduled meeting of October 28, 2009.

Dated: September 24, 2009

COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT (ADA)

The City of Chula Vista, in complying with the Americans with Disabilities Act (ADA), request individuals who require special accommodations to access, attend, and/or participate in a City meeting, activity, or service request such accommodation at least forty eight hours in advance for meetings and five days for scheduled services and activities. Please contact the Redevelopment & Housing Department for specific information at (619) 691-5047 or Telecommunications Devices for the Deaf (TDD) at (619) 585-5647. California Relay Service is also available for the hearing impaired.

**CITY OF CHULA VISTA
DRAFT MINUTES**

HOUSING ADVISORY COMMISSION MEETING

**WEDNESDAY, JANUARY 28, 2009
3:30 P.M.**

**CITY HALL BY CLERK'S OFFICE
CONFERENCE ROOM #C101**

CALL TO ORDER/ROLL CALL – 3:33 p.m.

PRESENT: Gregory Alabado, Dina Chavez, Earl Jentz, Margie Reese, Armida Martin Del Campo, Mauricio Torre

ABSENT: Aurora Cudal (unexcused)
Mark Minas (excused)

STAFF: Amanda Mills, Redevelopment & Housing Manager
Stacey Kurz, Senior Project Coordinator

1. APPROVAL OF MINUTES

November 13, 2008

Member Martin Del Campo made a motion to approve the minutes. Member Chavez seconds the motion. All members agreed unanimously to approve the motion.

2. HOME INVESTMENT PARTNERSHIP FUNDS LETTER OF PRE-COMMITMENT

Staff Mills provided a brief summary of the staff report regarding the financing requirements for Phase II of "The Landings" to be converted to 147 low-income rental units, reference attached. Staff Mills further explained the difficulty in financing moderate income projects in today's economy.

Chair Reese asked for an explanation of the HOME funds. Staff Mills explained that the City receives approximately \$800,000 in HOME Investment Partnership funds from the U.S. Department of Housing & Urban Development per year. There are various commitment and expenditure requirements on the grant monies.

Chair Reese questioned the cost of land at \$5,000. Staff Mills explained that Brookfield/Shea was donating the land and the cost was for transactional fees. Staff Mills further explained that Eastlake was essentially buying credits to cover the difference between the 115 unit obligation and the 147 units that would be built.

Member Jentz asked if this was a competitive process for Chelsea. Staff Mills explained that we have a rolling application for HOME funds and staff has to evaluate each application individually. Larger agencies can issue an RFP, however due to timeframes to spend money and our smaller allotment we cannot issue a one time RFP.

Member Jentz further indicated that the individual unit cost of \$300,000 seemed expensive considering the cost to acquire properties in this economy. Staff Mills indicated that new construction tends to be more expensive; however reminded members that \$300,000 per unit was not the City's subsidy and when looking at acquisition projects you have to factor in other considerations, such as: rehabilitation costs, lifespan, and number of units. It is rare to find a property where you can acquire a large number of units, typically 40 plus are required to find financing.

Chair Reese asked if there are regulations that prohibit purchasing single units as oppose to apartment complexes. Staff Mills responded that there are no such prohibited uses of funds, however it is difficult to

manage scattered sites and for leveraging other funds you need larger projects, economies of scale. Staff Mills added that typical subsidy levels in San Diego range from \$60,000 - \$140,000 per unit.

Member Martin Del Campo made a motion to recommend that Council approve the pre-commitment of \$2.4 M in HOME funds for Phase II of "The Landings". Member Chavez seconds the motion. All members agreed unanimously to approve the motion.

3. STAFF REPORTS

Staff Kurz provided an update on the following projects/programs:

- ❖ HCD Annual Financial Report – postponed until joint meeting with the Mobilehome Rent review Commission.
- ❖ Los Vecinos – pictures of the construction progress were forwarded to Commissioner's email accounts. The project is expected to be complete in April and Commissioners will be notified of the grand opening.
- ❖ Neighborhood Stabilization Funds – HUD notified the City that the NSP Plan was approved on January 13th. Staff is moving forward to develop the guidelines for the downpayment program and scheduling a series of educational classes. The NOFA is also being developed for the \$1M in funds to create permanent rental housing for very low-income residents. The Commission will likely see more in the future on the NOFA project.
- ❖ Balanced Communities Working Group – The stakeholders group met for a 3rd meeting in December and reviewed potential incentives to build affordable housing above required inclusionary units. Staff is now working internally with other departments to begin crafting language of an ordinance update, but does not expect to meet again with stakeholders until this spring.
- ❖ The Landings – pictures of the Grand Opening event were forwarded to Commissioner's email accounts. The project is fully leased up this month.

4. MEMBER'S COMMENTS

Chair Reese requested that the attorney's office come to speak about conflict of interest issues.

5. ORAL COMMUNICATIONS

No oral communications.

6. ADJOURNMENT – Meeting was adjourned at 4:30 p.m.

Recorder, Stacey Kurz

Attachments:

1. Staff Report for #2

A REPORT TO THE HOUSING ADVISORY COMMISSION

Item No. __

Staff: Amanda Mills
Housing Manager

DATE: January 26, 2009

SUBJECT: **THE LANDINGS RENTAL HOUSING PROJECT-** RECOMMENDATION OF APPROVAL TO THE CITY COUNCIL TO CONDITIONALLY APPROVE FINANCIAL ASSISTANCE FROM THE HOME INVESTMENT PARTNERSHIP (HOME) PROGRAM IN AN AMOUNT NOT-TO-EXCEED \$2,400,000 TO CHELSEA INVESTMENT CORPORATION FOR THE DEVELOPMENT OF A 147 UNIT PROJECT FOR LOW INCOME HOUSEHOLDS, THE LANDINGS AT WINDING WALK-PHASE II, IN OTAY RANCH VILLAGE ELEVEN

RECOMMENDATION

That the Housing Advisory Commission recommend **APPROVAL** to the City Council to provide up to a maximum of \$2,400,000 in financial assistance from the City's HOME Investment Partnership Funds to Chelsea Investment Corporation for the financing of a proposed 147 unit affordable housing project located on the corner of Discovery Falls Road and Crossroads Street in Otay Ranch Village 11 in Chula Vista.

BACKGROUND

Under the Balanced Communities Policy of the City's General Plan Housing Element, Brookfield Shea Otay, LLC (master developer) has an affordable housing obligation to provide 207 total affordable units (92 low income and 115 moderate income) within the Winding Walk community. The 92 unit low income housing obligation has been satisfied with the completion of The Landings affordable apartments by Chelsea Investment Corporation (CIC).

With the current economic climate and difficulty in obtaining financing, the master developer is proposing satisfaction of its moderate income obligation through the development of a second phase of low income housing, The Landings Phase II. Staff recommends providing a pre-commitment of \$2,400,000 from its federal HOME Investment Partnership Program (HOME) funds to assist CIC in obtaining affordable housing financing.

PROJECT DESCRIPTION

Under the City's Balanced Communities Affordable Housing Program, the master developer of Otay Ranch Village 11 (aka Winding Walk) has an obligation to provide a total of 207 affordable units: 92 low income and 115 moderate income. The master developer identified Neighborhood R-19 to be developed with a total of 239 units to satisfy both the low and moderate income housing obligations. CIC was selected by the master developer to satisfy its obligation of 92 low income units. CIC has completed construction of a 92 unit affordable rental community, known as The Landings. It opened in November 2008.

Pursuant to the existing Affordable Housing Agreement, the master developer was to satisfy the moderate income housing obligation through the development of a first time homebuyer project, with 115 as moderate income units and 32 as market rate/unrestricted units. The Agreement provides flexible language to allow lease/purchase of the units should there be difficulty in selling the units.

Under the current economic climate, financing is limited and difficult to obtain for both construction of developments and individuals purchasing homes. With financing so difficult, a for-sale project is infeasible for moderate income households. Financing remains available for development of rental housing opportunities for lower income households.

The master developer is now proposing rental housing to satisfy the balance of their affordable housing obligation based upon the increasing difficulty in developing and implementing successful homeownership opportunities for moderate income households in Chula Vista and throughout the region. Given the success of The Landings, the master developer has selected CIC to pursue a second phase of The Landings which will provide additional rental housing for low income households on the remaining affordable site.

FINANCIAL ASSISTANCE

Financing continues to be available for rental housing for lower-income households through the Low Income Housing Tax Credit Program and Tax Exempt Multi-Family Revenue Bonds. CIC is in the process of securing such financing for the project and is requesting consideration of financial assistance from the City. CIC has proposed Tax Exempt Multi-Family Revenue Bonds, Low Income Housing Tax Credit financing, and a permanent loan to support the majority of the estimated \$46.7 million (\$318,164 per unit) cost of constructing the project (see table below).

With rents restricted at very low and low income levels, the net operating income is insufficient to support a loan large enough to cover all the project costs. There remains a financing gap of approximately \$14 million.

It is proposed that the remaining financing gap will be met by a combination of deferred master developer land/contractor fees, deferred developer fee and City assistance. To close the financing gap, CIC has requested direct financial assistance of \$4.4 million.

During such a difficult time to secure financing, staff is supportive of providing CIC's The Landings II with a pre-commitment of HOME funds. Due to time restrictions on HOME funds, the City is only able to identify \$2.4 million available for this project. The leveraging of local dollars is necessary to obtain the critical bond/tax credit financing for the project. As proposed, the project would be able to leverage \$18 in private investment for each \$1 of our local resources. However, there remains a \$2 million gap even with the City's participation.

With an obligation to provide only 115 moderate income units, The Landings II will provide a surplus of 32 units. These surplus units could be used as a potential source of additional funding by making these surplus units available as "affordable housing credits". Other developers could provide financial assistance in exchange for the use of such credits to satisfy their respective affordable housing obligations.

The Eastlake Company (Eastlake) recently entered into an agreement with the City to provide 25 additional low income affordable units as a result of a 494 residential unit increase from the 2006 SPA plan amendment. Since Eastlake no longer owns residential land to provide these affordable units, the agreement offers alternative options to provide off-site affordable units in eastern Chula Vista. Eastlake has expressed their willingness to provide the remaining \$2 million financing gap for The Landings II in exchange for receiving the affordable housing credits towards their own obligation. The use of the credits would complete the financing necessary for The Landings II and provide Eastlake with a flexible option for meeting their obligations.

PROFORMA SUBSIDY ANALYSIS

	Cost	Funds	Financing Gap
Project Cost			
Land Purchase	\$5,001		
Construction	\$31,190,470		
Contingency	\$500,000		
Permits & Fees	\$7,208,033		
Interest/Fees, Financing Costs	\$2,810,408		
Design/Engineering	\$1,300,000		
Developer Fees	\$2,500,000		
Reserves, Legal, Other	\$1,256,158		
Sources of Funds			
Tax Credit Equity		\$16,332,000	
Tax Exempt Bonds-Permanent Loan		\$15,677,000	
Subordinate Bond		\$1,000,000	
Subtotal	\$ 46,770,070	\$ 33,009,000	\$ 13,761,070
Subsidies			
City Loan		\$2,400,000	
Eastlake Co - Aff Hsg Credits		\$2,000,000	
Deferred Contractor Fee		\$7,300,000	
Deferred Developer Fee		\$2,061,070	
TOTAL	\$ 46,770,070	\$ 46,770,070	\$ -
Cost per Unit @ 147 Units)			\$ 318,164

Income and Rent Restrictions

Per the Affordable Housing Agreement for the inclusionary obligation, 115 units must be affordable for moderate income households. Because of the financing Chelsea is pursuing, the entire project will provide rents even lower. The number of units actually restricted by the Affordable Housing Agreement will be 147 low income. Income and rent restrictions for The Landings will be maintained for 55 years.

Unit Description	No. of Units	Target Income Group % of AMI	Annual Income (4 Persons)	Inclusionary Housing Monthly Rents (Moderate)	Proposed Monthly Rents (Lower)
3 Bd/2 Ba	29	50%	\$ 39,500	\$ 2,052	\$ 966
3 Bd/2 Ba	117	60%	\$ 47,400	\$ 2,052	\$ 1,172
MGR	1	N/A	N/A	N/A	N/A
Total Restricted	147				

The income and rent restrictions outlined above are to be incorporated into the various deed restrictions for The Landings. Compliance with these restrictions will be subject annually to regulatory audit and annual tax credit certification. The developer has successfully managed low income housing units for 20 years. Compliance with strict property management policies and procedures will ensure that income and rent restrictions will be maintained for the full 55-year compliance period, and will bind all subsequent owners of The Landings, so that the commitment remains in force regardless of ownership.

Form of Assistance

Assistance will be in the form of a loan from the City's HOME funds and secured by a note and deed of trust recorded against the property. The principal and interest on the loan will be amortized over fifty-five years and repaid from cash surplus in annual installments. Terms of the loan will be further negotiated and all related loan documents will be presented to the City for approval at a later date.

The City of Chula Vista Development Services Department
A REPORT TO THE
HOUSING ADVISORY COMMISSION

Item No. 2

Staff: Leilani Hines,
Principal Project Coordinator

DATE: September 24, 2009

SUBJECT: **THE LANDINGS RENTAL HOUSING PROJECT-** RECOMMENDATION TO THE REDEVELOPMENT AGENCY AND CITY COUNCIL TO CONDITIONALLY APPROVE A LOAN FROM THE LOW AND MODERATE INCOME HOUSING FUND IN AN AMOUNT NOT-TO-EXCEED \$4,000,000 AND AN AMENDMENT TO AN AGREEMENT TO POST SECURITY ALLOWING THE EASTLAKE COMPANY, IN SATISFACTION OF THEIR AFFORDABLE HOUSING OBLIGATION FOR EASTLAKE III, TO PROVIDE THE CITY WITH FINANCIAL ASSISTANCE FOR THE DEVELOPMENT OF A 143-UNIT PROJECT FOR LOWER-INCOME HOUSEHOLDS, THE LANDINGS II AT WINDING WALK

RECOMMENDATION

That the Housing Advisory Commission recommend **APPROVAL** to 1) the Redevelopment Agency to conditionally approve a loan from the Low and Moderate Income Housing Fund in an amount not to exceed \$4,000,000; and 2) the City Council to amend an Agreement to Post Security to allow The Eastlake Company, in satisfaction of their affordable housing obligation for Eastlake III, to provide the City with financial assistance for the development of a 143-unit unit project for low income households, The Landings II.

BACKGROUND

Brookfield Shea Otay, LLC, master developer for Otay Ranch Village 11 (aka Winding Walk), is required to provide 207 total affordable units (92 low-income and 115 moderate-income) within its Neighborhood R-19 in satisfaction of its obligations under the City's Balanced Communities Policy of the Housing Element. The Landings I apartment development, located on the northeast corner of Eastlake Parkway and Discovery Falls Road, was completed by Chelsea Investment Corporation ("CIC") and provides 92 affordable rental units for lower income households.

The remaining balance of the affordable housing obligation (115 units) was contemplated as affordable housing for moderate income households. Due to the current financial climate, the project is infeasible to finance as a moderate income development.

Brookfield Shea and CIC are partnering again to satisfy the moderate income obligation through the development of a second phase of low income housing, known as The Landings Phase II to be located on the adjoining lot to the 92-unit Landings I. For purposes of this report Landings I will

Landings II Apartments

September 24, 2009

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refer to the 92-unit affordable rental development completed in 2008 and Landings II will refer to the proposed 143-unit development which is the subject of the requested actions.

Previously, the City and the Housing Authority took actions to financially support the development of the Landings II. The City approved a \$2.4 million commitment of HOME funds and considered a \$2,000,000 contribution from The Eastlake Company in satisfaction of their affordable housing obligation for Eastlake III. The Authority expressed its intent to issue Multifamily Housing Revenue Bonds for the Project. However, the current recessionary circumstances have lead to a tightening of capital for construction and permanent financing and tax credit equity. Therefore, CIC has adjusted the financing for the Landings II and a greater financing gap exists. Staff is recommending that the Redevelopment Agency provide an additional \$4,000,000 loan from its Low and Moderate-Income Housing fund. Staff is also recommending that the Council amend an Agreement to Post Security to receive the \$2 million contribution from Eastlake.

PROJECT DESCRIPTION

To satisfy its remaining affordable housing obligation of 115 moderate income housing units, Brookfield Shea has alternatively proposed the construction of a 143-unit rental development affordable for lower income households, known as The Landings II (the "Project"). Due to the financing CIC is pursuing, the Project will provide 28 more affordable units and deeper affordability than required under Brookfield Shea's Affordable Housing Agreement.

WINDING WALK				
Affordable Housing Obligation				
Description	Planned		Proposed	
Low Income	92	Landings I	92	Landings I
			143	Landings II
Moderate Income	115	Landings II	0	
Market Rate	32	Landings II	0	
TOTAL	239		235	

The Project, as proposed, is a continuation of design and development of the adjacent Landings I development. The units are townhome style and all 3-bedroom. Project amenities will be shared with Landings I and include a pool, spa, clubhouse, and a tot lot. This project will provide a balance of housing opportunities and fulfill a need in Chula Vista for large family rental housing, particularly in the neighborhoods east of Interstate 805, as outlined in the City of Chula Vista 2005-2010 Housing Element.

Income and Rent Restrictions

All units will be affordable to very low and low income households at 50 and 60 percent of the Area Median Income as determined by Area Median Income as determined by the U.S. Department of Housing and Urban Development (HUD). Income and rent restrictions for The Landings will be maintained for 55 years.

Unit Description	No. of Units	Target Income Group % of AMI	Annual Income (4 Persons)	Inclusionary Housing Monthly Rents (Moderate)	Proposed Monthly Rents (Lower)
3 Bd/2 Ba	28	50%	\$ 39,500	\$ 2,052	\$ 966
3 Bd/2 Ba	114	60%	\$ 47,400	\$ 2,052	\$ 1,172
MGR	1	N/A	N/A	N/A	N/A
Total Restricted	143				

The income and rent restrictions outlined above are to be incorporated into the various deed restrictions for the Project. Compliance with these restrictions will be subject annually to regulatory audit and annual tax credit certification. Maintaining strict property management policies and procedures will ensure that income and rent restrictions will be maintained for the full 55-year compliance period, and will bind all subsequent owners of The Landings II, so that the commitment remains in force regardless of ownership. The developer has been successful in managing and maintaining compliance of low income housing units for over 20 years.

FINANCIAL ASSISTANCE

Financing continues to be available for rental housing for lower-income households through the Low Income Housing Tax Credit Program and Tax Exempt Multi-Family Revenue Bonds. CIC will be using Tax Exempt Multi-Family Revenue Bonds and Low Income Housing Tax Credit financing to support the majority of the estimated \$50,327,730 (\$351,940 per unit) cost of constructing the project. CIC is in the process of securing such financing for the project.

The Authority has expressed its intent to issue Multifamily Housing Revenue bonds and the Council has approved issuance of the Bonds by the Authority. CIC will make an application for Bonds in October 2009.

With rents restricted at very low and low income levels, the net operating income is insufficient to support a loan large enough to cover all the project costs. There remains a financing gap of approximately \$12.1 million.

It is proposed that the remaining financing gap will be met by a combination of deferred master developer land/contractor fees (\$2,600,000), deferred developer fee (\$1,085,510), and City and Agency assistance. The City has already executed a loan agreement for \$2,400,000 in HOME funds. To further close the gap, CIC has requested direct financial assistance of \$4 million from the Redevelopment Agency and directing a \$2 million contribution from The Eastlake Company to the Project.

During such a difficult time to secure financing, staff is supportive of providing additional funds for The Landings II. The Landings II represents a present opportunity to increase the City's affordable housing stock for very low and low income households, particularly in the eastern area of the community. As specified in the City's Housing Element, the Regional Housing Needs Assessment

estimates a total need of 6,549 new housing units for very low and low-income households. By using City and Agency funds to assist this income category, the City and Agency are able to make progress towards its own Housing Element goals and Redevelopment Inclusionary/Funding obligations.

The City and the Agency is required to use these funds solely for the purpose of providing affordable housing for low and moderate-income persons. The Landings II has received all necessary entitlements and the majority of financing is in place. At this time, no other affordable housing developments have been proposed. It is anticipated that the current economic conditions will continue for the next 12 to 18 months and there will be very limited opportunities to provide new affordable housing units.

Staff is recommending total financial assistance of \$6.4 million, including the \$2.4 million already approved by the City and the \$4 million from the Agency. The total assistance would equate to approximately \$45,070 per lower income unit. The Project would be able to leverage \$8 in private investment for each \$1 of our local resources. However, there remains a \$2 million gap even with the City's participation.

With an obligation to provide only 115 moderate income units, The Landings II will provide a surplus of 28 units. These surplus units could be used as a potential source of additional funding by making these surplus units available as "affordable housing credits". Other developers could provide financial assistance in exchange for the use of such credits to satisfy their respective affordable housing obligations.

The Eastlake Company (Eastlake) recently entered into an agreement with the City to provide 25 additional low income affordable units as a result of a 494 residential unit increase from the 2006 SPA plan amendment. Since Eastlake no longer owns residential land to provide these affordable units, the agreement offers alternative options to provide off-site affordable units in eastern Chula Vista. Eastlake has expressed their willingness to provide the remaining \$2 million financing gap for The Landings II in exchange for receiving the affordable housing credits towards their own obligation. The use of the credits would complete the financing necessary for The Landings II and provide Eastlake with a flexible option for meeting their obligations. Staff is recommending an amendment to the Agreement to Post Security to allow The Eastlake Company to provide a financial contribution to the City for the Project.

Form of Redevelopment Agency Assistance

The proposed Agency loan of \$4 million from its Low and Moderate Income Housing fund will assist in providing a total of 28 units for very low income households and 114 units for low income. Assistance will be in the form of a loan and secured by a note and deed of trust recorded against the property. The required loan documents will be presented to the Agency for approval at such time as final approval of the issuance of the bonds and the related bond/loan documents are requested.

Principal and two percent (2%) simple interest on the loan will be amortized over a 20-year period and will be repaid on an annual basis, in equal consecutive monthly installments. Monthly payments are estimated at \$20,235. Repayment is expected to be made in full by 2029.

The Housing Fund will be able to sustain the proposed loan to CIC. The Agency currently has available approximately \$10 million to assist in the development of affordable housing opportunities. The Agency will see repayment of the CIC loan on a monthly basis. Therefore, funds from the repayment on the loan will also be available to other future developments.

Additionally, the nature of providing assistance to the development of affordable housing projects is cyclical. Normally, Housing Fund Reserves are accumulated over a period of years in order to build up sufficient reserves to provide assistance to developers of affordable housing projects. The current state of lending and equity markets is making underwriting residential development deals much more difficult. Staff does not foresee any tangible deals closing in the next 12-18 months, allowing additional time to accumulate sufficient reserves for any future opportunities.